

## **GAYLIN HOLDINGS LIMITED**

(Company Registration No. 201004068M)

(Incorporated in Singapore)

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### **Information on the appointment of Independent Non-Executive Directors and the Proposed Transaction with Amos International Holdings Pte. Ltd.**

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*Unless otherwise defined, all capitalised terms used herein shall bear the same meanings ascribed to them in Gaylin Holdings Limited's ("Company") circular dated 14 September 2018 ("Circular").*

The Board of Directors of Gaylin Holdings Limited (the "Company") has been invited by the Singapore Exchange Limited ("SGX") to address issues raised in the Business Times article titled "The things independent directors do for shareholders" regarding the appointment of its Independent Non-Executive Directors of the Company ("INED") as well as the proposed acquisition of the entire share capital of Amos International Holdings Pte. Ltd. (the "Proposed Transaction").

The Company has a distinguished and well experienced group of directors providing strategic guidance and corporate governance. The current INEDs of the Company have several decades of experience in accounting, corporate finance, business administration, and corporate management with well-known international companies. Their individual and combined expertise is valuable for the Company.

Each of the Company INEDs was re-elected to the Board of the Company at the annual general meeting ("AGM") of 23 July 2018. The shareholders were informed of each of the directors' backgrounds in the fiscal year 2018 annual report distributed before the AGM. Each of the INEDs was unanimously approved for appointment at this AGM with no dissenting votes from any shareholder.

The Board of Directors obtained advice from Baker & McKenzie Wong & Leow in Singapore on the regulations and rules of the SGX concerning the independence requirements of independent directors, and the Company's INEDs fully and completely satisfy those requirements. The INED's comprise 60% of the Board of Directors. The INEDs have no relationship with the Company, its related companies, or its officers that could be reasonably perceived to interfere with the exercise of the INEDs independent business judgement with a view to the best interests of the Company. None of the INEDs are a shareholder of the Company, PeakBayou Ltd., or ShawKwei & Partners. None of the INEDs are related by family relationships to any directors or substantial shareholders of the Company (i.e., PeakBayou Ltd. and ShawKwei & Partners). In the last financial year none of the INEDs or their respective associated businesses has received in aggregate any significant payments (as stipulated by The Code of Corporate Governance 2012 and 2018) from the Company, PeakBayou, or ShawKwei & Partners and its associates.

Mr. S.K. Lim serves as non-executive director of Schmid Singapore Pte. Ltd. since 2015. Schmid Singapore Pte. Ltd. is small company providing repair services for engineering and

scientific instruments with less than SGD55,000 in sales revenues during 2017. Mr. Alan Hargreaves is a non-executive director of Beyonics Pte. Ltd., a precision engineering manufacturer of products used in automotive, medical, and high technology industries. Mr. Lim does not have any shareholder ownership interest in Schmid Singapore Pte. Ltd. nor does Mr. Hargreaves have any shareholder ownership interest in Beyonics Pte. Ltd.. Neither Schmid Singapore Pte. Ltd. nor Beyonics Pte. Ltd. in the past or the present compete, do business with, or transact in any fashion with the Company and, therefore, there is no conflict of interest possible for the INEDs.

The Proposed Transaction with Amos is detailed in a Circular dated 14 September 2018 provided to all Company shareholders. The purpose of the Circular is to provide Shareholders with relevant information relating to the Proposed Transaction and to seek the approval of Shareholders for the resolutions relating to the Proposed Transaction. The Proposed Transaction with Amos is subject to an affirmative vote of the Company shareholders at an Extraordinary General Meeting (“EGM”) scheduled for 3 October 2018. Mr. Kyle Arnold Shaw, Jr. as the Chairman of the Company, Mr. Peter Ko as Non-Executive Director of the Company, the ShawKwei Group, and PeakBayou Ltd. shall all abstain from voting on the Proposed Transaction at that EGM since they are deemed interested parties in the Proposed Transaction.

KPMG Corporate Finance Pte. Ltd. (“IFA”) was appointed as the independent financial adviser to advise the INEDs on whether the Proposed Transaction is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders. Each Director (excluding Mr. Kyle Arnold Shaw, Jr. and Mr. Peter Ko) was deemed to be an Independent Director for the purpose of the Proposed Acquisition. The IFA reported that “After carefully considering the information available to us as at 31 August 2018 (the Latest Practicable Date), and based upon the monetary, industry, market, economic and other relevant conditions subsisting as at the Latest Practicable Date, and based on the analysis undertaken and subject to the qualifications and assumptions made herein, we are of the opinion that the Proposed Transaction is on normal commercial terms and is not prejudicial to the interests of Gaylin Holdings Limited and its minority Shareholders”.

The Proposed Transaction is an opportunity for the Company to improve its financial strength and business capabilities by acquiring a well-established and profitable (based on the EBITDA of Amos) business with complementary products and capabilities. After completion of the Proposed Transaction, the Company will increase its assets by approximately S\$74.0 million, increase its total liabilities by approximately S\$25.4 million, and, as a result, increase its Net Asset Value base by approximately S\$48.6 million. In addition, the Proposed Transaction will bring in new customers, new products, and expand the Company’s geographic scope. The Proposed Transaction will enable the Company to strengthen its current market position, improve financial strength, and achieve its corporate objectives in the following areas:

***Expand its customer base and product range:***

The Company’s customer base is largely comprised of companies involved in offshore oil and gas services, whereas the Amos customer base is largely comprised of maritime vessel owners. The Company is well known and has a long history of serving the rigging and heavy lifting

customers from its various locations in Asia, Europe, and the Middle East. The Company's chandelling sales revenue comprised 23% (being S\$15,700,000) of the Company total in FY2018, whereas Amos sales revenues were 100% related to chandelling but with a different customer base. It is expected that following completion of the Proposed Transaction, the Company will be able to benefit from cross-selling opportunities across product lines, with the Company also able to access and deepen the Amos connections. Amos has developed the proprietary product line Alcona. Under the Alcona brand, Amos offers a complete range of products including consumable essentials, crew gear (e.g. coveralls, clothing, footwear), and personal protective equipment at competitive pricing for working men and women on ships and in the offshore oil and gas industry at sea. The Proposed Transaction is expected to allow the Company to distribute Alcona products to a wider customer base, including the Company's offshore oil and gas customers.

***Expand geographical coverage of existing product and service:***

The Company has existing chandelling businesses in Singapore and South Korea. Amos is headquartered in Singapore with wholly-owned chandelling businesses in Shanghai and Hong Kong, with all three operating in the world's busiest ports. Following completion of the Proposed Transaction, the Company's existing chandelling business will benefit by expansion in Singapore and the extension of its geographical reach to Hong Kong and Shanghai. In addition, the expanded capabilities and base of business in chandelling will provide opportunities to expand in other existing Company locations after further business plan development and approval.

***Scale and Financial Synergies:***

The Company expects to report significant improvements to its financial position after completion of the Proposed Transaction, including a doubling of revenues, an increase in equity value, and improvement to debt leverage ratios. With a stronger financial position and larger size, the Company expects to benefit in ways such as economies of scale in procurement (better prices and terms), deeper and broader management resources, and improved relationships with its existing banks and creditors.

***Asset efficiencies and right-sizing:***

The Company expects to benefit from cost savings and extra cash flow obtained by improved utilization of real estate assets, and disposing of real estate assets which no longer are needed after the Completion of the Proposed Transaction. In particular, Amos has a modern logistics centre with a gross floor area of approximately 178,873 square feet, which is currently being upgraded and expanded to approximately 244,873 square feet. The Company expects to dispose of unnecessary real estate in Singapore and use Amos's upgraded and expanded logistics centre to consolidate management, operations, and warehousing requirements. The proceeds from liquidating unnecessary real estate will reduce debt while reducing the use of other rental properties will reduce costs. This real estate consolidation will effectively improve the Company's profitability, its cash position, and strengthen the balance sheet by reducing debt.

***Operational Enhancements:***

The Company expects to benefit from operational enhancements, including but not limited to a better utilized workforce, consolidated enterprise infrastructure, such as accounting and IT systems, and the ability to better attract and retain management talent resulting from the creation of a bigger business.

By order of the Board,

Kyle Arnold Shaw, Jr.  
Executive Chairman  
Gaylin Holdings Limited  
26<sup>th</sup> September 2018